

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name MONROE COUNTY LIBRARY SYSTEM	County MONROE
Fiscal Year End 12-31-2006	Opinion Date 01-19-2007	Date Audit Report Submitted to State May 3, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

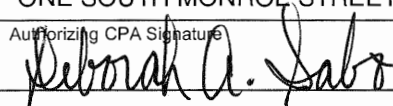
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON CPA'S PLLC		Telephone Number (734) 241-7200	
Street Address ONE SOUTH MONROE STREET		City MONROE	State MI
		Zip 48161	
Authorizing CPA Signature 		Printed Name DEBORAH A. SABO	
		License Number 1101025211	

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

December 31, 2006

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Table of Contents
December 31, 2006*

Independent Auditor's Report	1
Management's Discussion and Analysis	2-5
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Combining Balance Sheet	8
Reconciliation of Fund Balance to Net Assets	9
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	11
Fiduciary Fund:	
Statement of Plan Net Assets	12
Statement of Changes in Plan Net Assets	13
Notes to Financial Statements	14-24
Required Supplementary Information	
Budgetary Comparison Schedule:	
Operating Fund	25-26
Reserved/Designated Fund	27
Schedule of Funding Progress for the Monroe County Library System Retiree Health Care Benefits Plan and Trust	28
Schedule of Employer Contributions for the Monroe County Library System Retiree Health Care Benefits Plan and Trust	29



**COOLEY HEHL
WOHLGAMUTH & CARLTON**
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA
David K. Hehl, CPA
Robert W. Wohlgamuth, CPA
Peter H. Carlton, CPA
Matthew D. Hehl, CPA
Deborah A. Sabo, CPA

One South Monroe Street • Monroe, Michigan 48161-2281
Telephone: (734) 241-7200 • Fax: (734) 241-2637
www.chwccpa.com

Members:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Division for CPA Firms American Institute of
Certified Public Accountants

Independent Auditor's Report

Board of Directors
Monroe County Library System
Monroe County, Michigan 48161

We have audited the accompanying basic financial statements of the Monroe County Library System, a component unit of the County of Monroe, Michigan, as of and for the year ended December 31, 2006. These basic financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Monroe County Library System, a component unit of the County of Monroe, Michigan, as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplementary information on pages 2 through 5 and 25 through 29, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cooley Hehl Wohlgamuth & Carlton

January 19, 2007

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2006

Using this Annual Report

This annual report consists of three parts-*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library:

- The *government-wide financial statement* provides both *long-term* and *short-term* information about the Library's *overall* financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide information on the Library's operations under the modified accrual method. These governmental fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The reconciliation of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets provide information on the Retiree Health Care Benefits Plan and Trust. These fiduciary fund financial statements account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Library's own programs.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2006

Condensed Financial Information

The table below compares key financial information of the government-wide financial statements in a condensed format between the current year and the prior year:

	<u>2006</u>	<u>2005</u>
Current assets	\$ 9,900,819	\$ 9,269,401
Capital assets	<u>8,882,625</u>	<u>8,649,879</u>
Total assets	<u>18,783,444</u>	<u>17,919,280</u>
Current liabilities	136,756	133,548
Deferred revenue	6,024,848	5,732,344
Other liabilities	<u>284,168</u>	<u>258,929</u>
Total liabilities	<u>6,445,772</u>	<u>6,124,821</u>
Net assets:		
Invested in capital assets, net of debt	8,882,625	8,649,879
Restricted for donor-restricted purpose	47,052	9,861
Unrestricted	<u>3,407,995</u>	<u>3,134,719</u>
Total net assets	<u>\$12,337,672</u>	<u>\$11,794,459</u>
Revenue:		
Property taxes	\$5,643,967	\$5,382,382
Other	<u>2,298,827</u>	<u>1,642,970</u>
Total revenue	7,942,794	7,007,352
Expenses - Library services	<u>7,399,581</u>	<u>6,066,307</u>
Change in net assets before special item	543,213	941,045
Special item	<u>-</u>	<u>2,636,955</u>
Change in net assets	<u>\$ 543,213</u>	<u>\$3,578,000</u>

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2006*

The Library as a Whole

- The Library's change in net assets were \$543,213 this year compared to \$941,045 in the prior year, before the special item.
- The Library's primary source of revenue is from property taxes which increased approximately \$261,000 in 2006. Penal fines in 2006 accounted for 19.3% of revenue, up from 13.7% the previous year. The Library's interest income accounted for about 2.7% of total revenue.
- Personnel services continue to be the Library's most significant expense, representing 61% of the Library's total expenses. Staff was granted a 2% increase in 2006.
- Depreciation expense of \$168,844 represents approximately 2.2% of the Library's total expenses. The Library's long-term debt activity is in the form of lease payments equal to the debt service payment for the Ellis building renovation. The renovation was completed in 1999 using \$1,800,000 Limited Tax General Obligation 1998 Building Authority Bonds. The Library paid \$518,125 in lease payments (which included an additional \$300,000 principal payment to pay off the Bond debt) to the Monroe County Municipal Building Authority, which is about 7% of 2006 expenses.
- The \$1,101,309 increase in total expenses between the prior year and the current year is due primarily to the increase in personnel services as noted above, an increase in dial-in access, capital outlay, and building lease.

Library Budgetary Highlights for 2006

- Property tax revenue for 2006 was based on one mill. Penal fine revenue, as always, was budgeted conservatively due to the fluctuating nature of penal fines. Contractual services revenue decreased due to a reduction in the automation and delivery contracts with Woodlands Library Cooperative. State aid revenue for 2006 was budgeted at 0.359 cents per capita.
- The 2006 budget reflected a continuation of service enhancements promised to county voters prior to the August 2004 election including increases in hours, more best sellers and high demand items in the collection, more programs for all ages, and more computers for public use. The budget also incorporated continuation of projects outlined in a Strategic Plan approved by the library board in 2003. Staff in the areas of technology, reference, circulation, and children's services provided these enhanced services. All staff members were granted a 2% salary increase in 2006. In addition to increasing the number of copies of best sellers, collection development goals for 2006 included plans to purchase more recorded books on cassettes and compact discs, DVDs, and reference materials in print and electronic formats. A portion of the materials budget was set aside to address "gaps" in the collection. A new delivery van was purchased and a second six-station mobile training lab was purchased to provide additional technology training at all branch libraries. During 2006, the Library board conducted a study on space needs which resulted in the acquisition of a building on South Roessler Street in Monroe that, once renovated, will house all of the Library system's support services. Future plans call for reallocation of space in the Ellis building for additional public service including technology.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2006

Next Year's Funding (2007)

Based on the equalization report issued in June 2006, with a one mill levy, we expect our 2007 income from property taxes to be \$5,888,105. This accounts for approximately 80% of our operating income.

State aid for libraries remains an unstable funding source for libraries, based on the State of Michigan's current budget crisis. State aid for the State's 2006-2007 fiscal year was set at 0.3968 cents per capita. This generates approximately 2% of the library system's budget.

Penal fine revenue is (and always will be) an unpredictable source of revenue and is budgeted conservatively due to the past patterns of wide fluctuations in this revenue source. Penal fines comprise about 13% of the 2007 budget.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Statement of Net Assets
December 31, 2006

	Governmental Activities
Assets	
Cash	\$2,756,813
Certificates of deposit	900,000
Prepaid expenses	16,781
Receivables:	
Accounts	6,056,487
Contracts	136,743
Taxes	33,995
Capital assets, net of depreciation	8,882,625
 Total Assets	 18,783,444
 Liabilities	
Accounts payable	47,507
Accrued liabilities	89,249
Deferred revenue	6,024,848
Long-term liability:	
Accumulated employee benefits	284,168
 Total Liabilities	 6,445,772
 Net Assets	
Invested in capital assets, net of related debt	8,882,625
Restricted	47,052
Unrestricted	3,407,995
 Total Net Assets	 <u>\$12,337,672</u>

See accompanying notes to financial statements.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Statement of Activities
Special Revenue Fund Types
Year Ended December 31, 2006

Function/Program	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants	Revenue and Changes in Net Assets- Governmental Activities
Governmental activities:				
Library services/operations	<u>\$7,399,581</u>	<u>\$248,524</u>	<u>\$0</u>	(\$7,151,057)
General Revenues:				
Taxes				5,643,967
State grant				143,786
Fine and forfeits				1,580,939
Interest				211,436
Other revenue				<u>114,142</u>
Total General Revenues				7,694,270
Change in Net Assets				543,213
Net Assets - Beginning of Year				<u>11,794,459</u>
Net Assets - End of Year				<u>\$12,337,672</u>

See accompanying notes to financial statements.

Special Revenue Funds

Operating Fund - As a component unit of the County of Monroe, the operating fund of the Monroe County Library System operates as a special revenue fund. It is used to account for all financial resources except those that have been designated for specified purposes.

Reserved/Designated Fund - To account for financial resources restricted by outside sources or designated by the Board for specific purposes such as new facilities, maintenance, book endowment, automation, capital, equipment replacement, and other purposes.

Fiduciary Fund

Retiree Health Care Benefits Plan and Trust Fund - To account for assets held in trust for the exclusive purpose of providing health care benefits to eligible retirees and their beneficiaries who are receiving benefits from the Monroe County Employees Retirement System.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Special Revenue Funds
Combining Balance Sheet
December 31, 2006

	Operating	Reserved/ Designated	Totals
Assets			
Cash	\$1,140,536	\$1,616,277	\$2,756,813
Certificates of deposit	900,000	0	900,000
Prepaid expense	16,781	0	16,781
Receivables:			
Accounts	6,056,487	0	6,056,487
Contracts	136,743	0	136,743
Accrued Interest	0	33,995	33,995
 Total Assets	 \$8,250,547	 \$1,650,272	 \$9,900,819
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$47,507	\$0	\$47,507
Accrued liabilities	89,249	0	89,249
Deferred revenue	6,024,848	0	6,024,848
 Total Liabilities	 6,161,604	 0	 6,161,604
 Fund Balances			
Reserved:			
- Maybee facility	0	7,452	7,452
- Gates foundation grant	39,600	0	39,600
Unreserved:			
Designated:			
- maintenance	0	109,614	109,614
- operations	2,049,343	0	2,049,343
- endowment	0	74,713	74,713
- equipment replacement	0	312,908	312,908
- automation	0	351,416	351,416
- capital	0	794,169	794,169
 Total Fund Balances	 2,088,943	 1,650,272	 3,739,215
 Total Liabilities and Fund Balances	 \$8,250,547	 \$1,650,272	 \$9,900,819

See accompanying notes to financial statements.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Special Revenue Funds
Reconciliation of Fund Balance to Net Assets
December 31, 2006

	<u>Operating</u>	<u>Reserved/ Designated</u>	<u>Totals</u>
Total Fund Balances - Governmental Funds	\$2,088,943	\$1,650,272	\$3,739,215
Amounts reported in the statement of net assets are different because:			
Capital assets are not financial resources, and are not reported in the funds	8,882,625	0	8,882,625
Compensated absences are included as a liability	<u>(284,168)</u>	<u>0</u>	<u>(284,168)</u>
Total Net Assets - Governmental Activities	<u>\$10,687,400</u>	<u>\$1,650,272</u>	<u>\$12,337,672</u>

See accompanying notes to financial statements.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2006

	Operating	Reserved/ Designated	Totals
Revenues			
Taxes	\$5,643,967	\$0	\$5,643,967
State grants	143,786	0	143,786
Charges for services	248,524	0	248,524
Fines and forfeits	1,580,939	0	1,580,939
Interest	134,852	76,584	211,436
Other revenues	114,142	0	114,142
Total Revenues	7,866,210	76,584	7,942,794
Expenditures			
Cultural:			
Personnel services	4,624,502	0	4,624,502
Supplies	170,583	0	170,583
Charges and services	658,405	0	658,405
Capital outlay	2,153,598	0	2,153,598
Total Expenditures	7,607,088	0	7,607,088
Excess (Deficiency) of Revenues over Expenditures	259,122	76,584	335,706
Other Financing Sources (Uses)			
Operating transfers in	2,773	0	2,773
Operating transfers out	0	(2,773)	(2,773)
Total Other Financing Sources (Uses)	2,773	(2,773)	0
Net Change in Fund Balances	261,895	73,811	335,706
Fund Balances - Beginning of Year	1,827,048	1,576,461	3,403,509
Fund Balances - End of Year	<u>\$2,088,943</u>	<u>\$1,650,272</u>	<u>\$3,739,215</u>

See accompanying notes to financial statements.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
Year Ended December 31, 2006*

Net Change in Fund Balances - Governmental Funds **\$335,706**

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Library books and materials - additions	715,902
Library books and materials - deletions	(377,158)
Capital outlay	62,846
Depreciation	(168,844)

Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	<u>(25,239)</u>
--	-----------------

Change in Net Assets of Governmental Activities **\$543,213**

See accompanying notes to financial statements.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Fiduciary Fund
Statement of Plan Net Assets
December 31, 2006*

	Retiree Health Care Benefits Plan and Trust
Assets	
Cash and cash equivalents	\$55,620
Receivables:	
Accounts receivable	12,273
Interest receivable	10,533
Investments, at fair value:	
U.S. Treasuries	301,786
U.S. agencies	152,823
Corporate bonds	252,950
Corporate stocks	1,111,784
Money markets	48,995
Total investments	<u>1,868,338</u>
 Total assets	 1,946,764
Liabilities	
Accounts payable	<u>95,673</u>
 Net Assets Held in Trust for other Postemployment benefits	 <u><u>\$1,851,091</u></u>

See accompanying notes to financial statements.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Fiduciary Fund
Statement of Changes in Plan Net Assets
December 31, 2006*

	Retiree Health Care Benefits Plan and Trust
Additions	
Contributions:	
Employer	\$482,305
Investment income:	
Net appreciation in fair value of investments	207,582
Interest	48,803
Dividends	16,825
Other	470
	<u>273,680</u>
Less investment expense	882
Net investment income	<u>272,798</u>
 Total additions	 755,103
Deductions	
Benefit payments	282,227
Administrative expenses	<u>25,799</u>
 Total deductions	 <u>308,026</u>
 Net Increase	 447,077
 Net Assets Held in Trust for other Postemployment benefits	
Net Assets - Beginning of year	<u>1,404,014</u>
 Net Assets - End of year	 <u><u>\$1,851,091</u></u>

See accompanying notes to financial statements.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2006

Note 1 Reporting Entity

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships.

The Monroe County Library System is a component unit of the County of Monroe, Michigan, the oversight unit. The Library is primarily funded through tax levy, fines and fees, and state aid. For financial reporting purposes, only the funds controlled by the Monroe County Library System are included in this report. By accounting principles generally accepted in the United States of America, these funds are required to be in the report of the oversight unit.

Note 2 Summary of Significant Accounting Policies

The accounting policies of the Monroe County Library System conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Library's activities
- A change in the fund financial statements to focus on the major funds

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of operations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts - invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2006

Note 2 Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements (Concluded)

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues but are properly reported as general revenues.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The accounts of the Monroe County Library System are organized on a basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into one generic fund type and one broad fund category as follows:

GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Monroe County Library System operates as a special revenue fund of the County of Monroe. For purposes of this report, the general operating fund is reported separately from other restricted and designated funds. The County collects revenues for the Library and holds them until requested for Library expenditures. The Library's checking accounts are maintained on an imprest system with enough money transferred from the County to the Library to cover approved expenditures. Excess funds and investments are maintained by the County.

Fiduciary Fund

Fiduciary funds account for resources held for the benefit of parties outside of the government. The Monroe County Retiree Health Care Benefits Plan and Trust operates as a fiduciary fund of the Library. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value, which is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2006

Note 2 Summary of Significant Accounting Policies (Continued)

B. Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical costs. The value of donated materials, except books, are recognized by the Monroe County Library System at their appraised value. Donated books are posted to a donor list but no appraised value is given. The appraised value of donated books, if calculated, would be immaterial to the financial statements.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building improvements	10-39 years
Furniture and equipment	5-10 years
Vehicles	5 years

C. Long-Term Liabilities

Long-term liabilities expected to be financed from the governmental funds are accounted for in the Statement of Net Assets, not in the governmental fund.

- D. The Library reports deferred revenue on the balance sheet and the statement of net assets. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Library before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Library has legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

E. Budget

A budget is adopted by the Library Board of Trustees. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect the actual revenues and expenditures for this fund. The budget is adopted at the activity level. The Board of Trustees is authorized to transfer budget amounts within an activity and to make authorized amendments to the original approved budget. Unexpended appropriations lapse at year end.

F. Deposits

The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are carried at cost.

G. Receivables

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Property taxes are levied on December 1st based on the taxable valuation of the property as of the preceding December 31st. Taxes are considered delinquent on February 15th of the following year, at which time penalties and interest are assessed.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2006

Note 2 Summary of Significant Accounting Policies (Concluded)

H. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to change.

Note 3 Deposits and Investments

Statutes authorize the Library to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Library may not be deposited in financial institutions located in states other than Michigan.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At December 31, 2006, Monroe County Library System had invested in such a fund with a local bank. The Library is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The Library believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Board has adopted an investment policy authorizing certain types of investments and authorized five depositories: Monroe Bank & Trust, Fifth Third Bank, National City Bank, Bank One, and LaSalle Bank.

Interest rate risk. The Library's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Library will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Library's investment policy.

Concentration of credit risk. The Library does not place any limits on the amount the Library may deposit or invest in any one issuer.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2006

Note 3 Deposits and Investments (Continued)

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Library's deposits may not be returned or the Library will not be able to recover the collateral securities in the possession of an outside party. The Library has \$3,866,076 invested in certificates of deposit, checking accounts, and money markets. The Library's deposits are insured by the FDIC in the amount of \$303,267, with uninsured deposits of \$3,562,809. The Library's deposits are at institutions with an established record of fiscal health and service.

The Library Board approves and designates a list of authorized depository institutions. The Library's investment policy does not address deposit risk.

Foreign currency risk. The Library is not authorized to invest in investments which have this type of risk.

Retiree Health Care Benefits Plan and Trust

Retiree Health Care Benefits Plan and Trust (Plan and Trust) investments are invested in accordance with the Investment Policy as established by the Board of Trustees and the Public Employee Retirement System Investment Act, PA 314 of 1965, as amended, and all other applicable federal, state and local law. The following is a summary of the Plan and Trust's investments as of December 31, 2006:

Investments at fair value, as determined
by quoted market prices:

Cash and cash equivalents	\$ 55,620
U.S. treasuries	301,786
U.S. agencies	152,823
Corporate bonds	252,950
Corporate stocks	1,111,784
Money market funds	<u>48,995</u>

Total investments	<u>\$1,923,958</u>
-------------------	--------------------

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan and Trust's investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

As of December 31, 2006, maturities of the Plan and Trust's debt securities were as follows:

	Investment Maturities (fair value by years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	\$301,786	\$ 0	\$153,929	\$147,857	\$ 0
U.S. agencies	152,823	0	152,823	0	0
Corporate bonds	<u>252,950</u>	<u>9,941</u>	<u>156,911</u>	<u>86,098</u>	<u>0</u>
	<u>\$707,559</u>	<u>\$9,941</u>	<u>\$463,663</u>	<u>\$233,955</u>	<u>\$ 0</u>

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2006

Note 3 **Deposits and Investments (Concluded)**

Credit risk. The Plan and Trust will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Plan and Trust's investment policy. As of December 31, 2006, the Plan and Trust's investments in debt securities were rated by Standard and Poor's as follows:

<u>Rating</u>	<u>U.S. agencies</u>	<u>Corporate bonds</u>
AAA	\$ 20,703	\$152,823
AA-	21,301	0
A+	84,268	0
A	61,472	0
A-	20,909	0
BBB+	20,930	0
B+	2,903	0
B	1,019	0
B-	1,988	0
CCC+	9,002	0
Unrated	<u>8,455</u>	<u>0</u>
	<u>\$252,950</u>	<u>\$152,823</u>

United States treasury securities are explicitly guaranteed by the U.S. government and not considered to have credit risk. The Plan and Trust's investments in money market funds are not rated.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan and Trust's investment in a single issuer. The Plan and Trust's investment policy requires that no manager will hold more than 5% of its portion of the total fund in any single company and no more than 5% at market of its portion of the total Plan may be held in any single common stock. However, all securities guaranteed by the U.S. Government or any U.S. Governmental Agency are exempt from this 5% limitation requirement.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Plan and Trust's deposits may not be returned or be able to recover the collateral securities in the possession of an outside party. The Plan and Trust's investment policy requires that securities be held in trust by a third-party institution in the Plan and Trust's name or its nominee custodian's name or in bearer form. Although uninsured and unregistered, the Plan and Trust's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the Plan and Trust's name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Note 4 **Related Party Transactions**

The Library leases approximately 5.5 acres of land from Monroe County on which the Ellis Information Center is constructed. The Library provides no consideration to Monroe County under terms of this lease which expires in the year 2056. The financial statements do not include any valuation for contributed services by Monroe County or other library patrons.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2006

Note 5

Contracts Receivable

The Monroe County Library System is fiscal agent for the Woodlands Library Cooperative, a regional resource information service. The Library has entered into several contracts with Woodlands which ran through September 30, 2006. The contracts have various payment dates. The Library has also entered into a contract with the City of Monroe for the provisions of maintenance, grounds keeping, utilities, janitorial services, and related costs for the City Library branches. Contracts receivable and \$136,743 of the deferred revenue represents the status of the contracts at December 31, 2006.

	<u>Face Amount of Contract</u>
Woodlands Library Cooperative	
Interlibrary Loan Service	\$ 43,125
Cooperative Periodical Purchasing	2,450
Delivery	15,684
Fiscal Services	2,475
Automation Services	<u>40,509</u>
	104,243
City of Monroe	<u>32,500</u>
	<u><u>\$136,743</u></u>

Note 6

Capital Assets

A summary of changes in capital assets follows:

	<u>Balance at</u> <u>January 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>December 31, 2006</u>
Building Improvements	\$ 332,794	\$ -	\$ -	\$ 332,794
Equipment and Fixtures	906,984	34,823	-	941,807
Vehicles	118,887	28,023	(24,119)	122,791
Library Collections	<u>7,910,866</u>	<u>715,901</u>	<u>(377,157)</u>	<u>8,249,610</u>
Total	9,269,531	778,747	(401,276)	9,647,002
Less: Accumulated Depreciation	<u>(619,652)</u>	<u>(168,844)</u>	<u>24,119</u>	<u>(764,377)</u>
Net Capital Assets	<u><u>\$8,649,879</u></u>	<u><u>\$609,903</u></u>	<u><u>\$(377,157)</u></u>	<u><u>\$8,882,625</u></u>

Depreciation is recorded using the straight-line method over ten to thirty-nine years for building improvements, five to ten years for equipment and fixtures, and five years for vehicles.

Library collections consist of books, video materials, and recordings. The collections are recorded based on a year-end inventory. The value of the inventory is recorded using an average cost of fifteen dollars per unit.

The Library has a collection of artwork presented for public exhibition and education. The items in the collection are pieces of artwork that have won art shows or have won the library award. These pieces of artwork are available for loan to the public. The collection is not capitalized or depreciated as part of fixed assets.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2006

Note 7 Property Taxes

The Library was authorized by a special election to levy 1.0 mills. The Library's 2006 property taxes were levied on December 1, 2005 on assessed valuations as of December 31, 2004. The taxable value for real and personal property for the year amounted to \$5,536,053,430 based on a percentage of the property's fair market value. Taxes levied December 1, 2006, totaling \$5,888,105 were recorded as taxes receivable and deferred revenue. At December 31, 2006, taxes receivable were \$5,884,651.

Note 8 Long-Term Liability for Compensated Absences

The personnel policy of the Library provides its full time employees the right to payment for unused vacation and sick time hours. Accumulation of unused sick time hours provides for conversion to vacation hours. The Library has estimated its long-term liability for these accumulated hours as of December 31, 2006 and such amounts are recorded in the statement of net assets.

The following is a summary of changes in long-term debt:

	Balance December 31, 2005	Additions	Deletions	Balance December 31, 2006	Due in One Year
Compensated Absences	<u>\$258,929</u>	<u>\$206,129</u>	<u>\$(180,890)</u>	<u>\$284,168</u>	<u>\$ -</u>

Note 9 Lease Commitments

The renovation of the Monroe County Library System's Ellis Information and Reference Center began during 1998. The renovation was financed with 1998 Building Authority Limited Tax General Obligation Bonds. The County of Monroe and the Monroe County Municipal Building Authority entered into a Full Faith and Credit General Obligation Contract of Lease agreement to issue the \$1,800,000 bonds. The Monroe County Library System entered into a sub-contract to lease the Ellis Information and Reference Center from the County of Monroe with lease payments equivalent to the annual debt service on the bonds. The building lease expense was \$518,125 for 2006. The lease obligations were paid in full during 2006.

Note 10 Pension
Plan Description

Full-time employees of Monroe County Library System are participants in the Monroe County Employees Retirement System. The County has a defined benefit pension plan covering substantially all its employees. The plan is operated by the County of Monroe. Additional significant information regarding the Monroe County Employees Retirement System pension plan and pension trust fund investments are included in the report of examination for the County of Monroe for the year ended December 31, 2006.

Funding Policy

Employees of the Library are not required to contribute to the plan. The Library is required to make annual contributions based on an actuarially computed percentage of covered wages in amounts sufficient to cover normal cost of benefits and amortize the prior service liabilities over a period of future years.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2006

Note 10 Pension (Concluded)

Annual Pension Cost

For the year ended December 31, 2006, the Library's annual pension cost for the plan was zero. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) a 7.0 investment rate of return, (b) projected salary increases of 5.0 percent to 12.0 percent per year, and c) no cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. Liabilities created by plan changes, assumption changes, or method changes are amortized as a level percentage of payroll over a twelve year closed period. Liabilities created by plan experience and all other liabilities or overfunding are amortized as a level percentage of payroll over a nine year open period.

Three-Year Trend Information

	Valuation Ended December 31,		
	2003	2004	2005
Annual pension cost (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	100.00%	100.00%	100.00%
Net pension obligation	-	-	-
Actuarial value of assets	11,938,919	11,982,564	11,976,883
Actuarial accrued liability			
(entry age) (AAL)	8,863,889	9,721,348	10,560,759
Unfunded AAL (UAAL)	(3,075,030)	(2,261,216)	(1,416,124)
Funded ratio	134.70%	123.30%	113.40%
Covered payroll	1,973,464	2,135,126	3,663,901
UAAL as a percentage of covered payroll	(155.82)%	(105.91)%	(38.65)%

Note 11 Retiree Health Care Benefits Plan and Trust

Plan Description and Contribution Information

Membership of the plan consisted of the following at December 31, 2005, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	36
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>59</u>
Total	<u>95</u>

Plan Description. The Monroe County Library System contributes to the Retiree Health Care Benefits Plan and Trust which was adopted on December 17, 2001. The Monroe County Library Retiree Health Care Benefits Plan and Trust (Plan and Trust) was established under the authority of the Public Employee Health Care Fund investment Act, Public Act 149 of 1999, and shall constitute a "voluntary employees beneficiary association" ("VEBA") under Section 501 (c)(9) of the Internal Revenue Code, as amended. The assets of the Plan and Trust shall be held in trust for the exclusive purpose of providing health care and life insurance benefits to eligible retirees and their beneficiaries who are receiving retirement benefits from the Monroe County Employees Retirement System. The Plan and Trust is a single-employer defined benefit postemployment healthcare plan.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2006

Note 11 Retiree Health Care Benefits Plan and Trust (Continued)

Contributions. Employees hired before October 21, 2002, are not required to contribute toward the cost of health insurance premiums. Employees hired after October 21, 2002, will earn 5% toward retiree health care premium coverage for each year of full time service with the Library. Also, an inflation cap was put in place for employees hired after October 21, 2002. Any employee hired after October 21, 2002, will be required to pay for health care premium increases in excess of 5% annually of the premium in effect at retirement. The required contribution changes each year as a result of all the experience of the Plan and Trust. Some of that experience affects the unfunded accrued liability. Contributions are calculated as a percentage of payroll. The Library's contribution rate for 2006 was 19.83%. The Library's contribution to the Plan and Trust for 2006 was \$482,305 to fund retiree health benefits as a result of an actuarial valuation as of December 31, 2004. The contributions were equal to the annual other post employment benefit cost (100% of the annual required contribution). The Library was returned \$282,227 to pay the 2006 current year costs of the retiree health benefits.

Funded Status and Funding Progress-OPEB Plans

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
12/31/2005	\$1,396,975	\$7,795,198	\$6,398,223	17.9%	\$2,217,575	285.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by the employer in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year. Unfunded actuarial liabilities were amortized by level (principal and interest combined) percent-of-payroll contributions over 26 years.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2006

Note 11 Retiree Health Care Benefits Plan and Trust (Concluded)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2005
Actuarial cost method	Entry age
Amortization method	Level percent of pay
Remaining amortization period	26 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Healthcare cost trend rate	10.0% initial, 4.0% ultimate

The Library System is permitted to invest assets of the plan and trust in investments, subject to the limitations governing the investment of assets of public employee retirement systems under the Public Employee Retirement System Investment Act, PA 314 of 1965, as amended. The assets of the Fund shall be invested in accordance with the Investment Policy as established by the Board of Trustees and the Public Employee Retirement System Investment Act.

Note 12 Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Library has purchased commercial insurance for property loss, torts, errors, omissions, and employee injuries.

Note 13 Subsequent Event

On March 7, 2007, the Monroe County Municipal Building Authority 2007 Building Authority Limited Tax General Obligation Bonds were sold for \$8,600,000 with interest at 4.000% to 4.250%. These bonds are for the combined projects of the Monroe County Fair Association, the Monroe County Library, and the Monroe Community Mental Health Authority. The Monroe County Building Authority and the Monroe County Library have determined that the Library's portion of the Bonds issued will not exceed \$2,000,000 to finance the cost of the Library's project. The Library's project is to purchase a facility (840 South Roessler) to house the Library System's support services, the renovation of the South Roessler facility, and the reallocation of vacated space for additional public service at the Ellis Reference and Information Center. The County of Monroe and the Monroe County Municipal Building Authority entered into a Full Faith and Credit General Obligation Contract of Lease agreement to issue the bonds. The Monroe County Library System entered into a sub-contract to lease the Ellis Reference and Information Center and the South Roessler facility from the County of Monroe with lease payments equivalent to the annual debt service on the bonds. The Library's annual lease payment for 2007 will be \$46,625. For the years 2008 to 2027, the annual lease payments will be \$142,674 to \$150,813.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Operating Fund
Required Supplementary Information
Budgetary Comparison Schedule
Year Ended December 31, 2006

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues				
Taxes:				
Current levy	\$5,594,498	\$5,594,498	\$5,530,096	(\$64,402)
Industrial facilities	75,000	75,000	89,387	14,387
Other	7,000	7,000	24,484	17,484
	<u>5,676,498</u>	<u>5,676,498</u>	<u>5,643,967</u>	<u>(32,531)</u>
State grants:				
State aid	103,560	103,560	104,186	626
State grants	52,500	52,500	39,600	(12,900)
	<u>156,060</u>	<u>156,060</u>	<u>143,786</u>	<u>(12,274)</u>
Charges for services:				
Contractual services	216,062	216,062	214,228	(1,834)
Copy machine charges	13,000	13,000	20,362	7,362
Sale of publications	0	0	2,170	2,170
Sale of books and supplies	5,000	5,000	11,764	6,764
	<u>234,062</u>	<u>234,062</u>	<u>248,524</u>	<u>14,462</u>
Fines and forfeits:				
Penal fines	900,000	900,000	1,536,003	636,003
Overdue charges	55,000	55,000	44,936	(10,064)
	<u>955,000</u>	<u>955,000</u>	<u>1,580,939</u>	<u>625,939</u>
Interest	42,690	42,690	134,852	92,162
Other revenues:				
Special events and programs	0	0	13,570	13,570
Summer reading	4,000	4,000	4,000	0
Writers on the river	0	0	3,188	3,188
Gifts and bequests	0	0	1,751	1,751
Sale of fixed assets	0	0	5,500	5,500
Miscellaneous revenue	0	0	86,133	86,133
	<u>4,000</u>	<u>4,000</u>	<u>114,142</u>	<u>110,142</u>
Total Revenues	7,068,310	7,068,310	7,866,210	797,900
Expenditures				
Cultural:				
Personnel services:				
Salaries and wages	3,537,923	3,525,423	3,412,349	113,074
Payroll taxes	268,431	268,431	259,556	8,875
Fringe benefits	967,795	983,795	952,597	31,198
	<u>4,774,149</u>	<u>4,777,649</u>	<u>4,624,502</u>	<u>153,147</u>

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Operating Fund
Required Supplementary Information
Budgetary Comparison Schedule
Year Ended December 31, 2006

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures (Concluded)				
Supplies:				
Postage	\$24,000	\$24,000	\$17,924	\$6,076
Office supplies	105,000	117,000	116,530	470
Other	12,500	12,500	9,335	3,165
Automation	60,000	49,570	26,794	22,776
	201,500	203,070	170,583	32,487
Charges and services:				
Professional services	70,000	72,050	69,677	2,373
Cooperative services	51,780	52,100	52,086	14
Telephone and dial-in access	181,300	190,300	143,081	47,219
Mileage and travel	40,000	42,500	42,009	491
Printing and binding	10,000	22,000	20,389	1,611
General insurance	45,000	45,000	40,578	4,422
Utilities	85,800	87,800	80,016	7,784
Repair and maintenance	161,500	182,500	120,745	61,755
Rentals	1,000	1,010	1,008	2
Other	24,500	39,000	36,483	2,517
Janitorial services	54,484	54,484	52,333	2,151
	725,364	788,744	658,405	130,339
Capital outlay:				
Equipment and building improvements	301,416	839,981	779,711	60,270
Books	532,000	532,000	492,911	39,089
Video materials	106,000	106,000	110,367	(4,367)
Periodicals and microfilm	57,000	63,000	62,200	800
Recordings	100,000	112,000	112,623	(623)
Software and electronic media	75,000	86,050	77,661	8,389
Building lease	231,850	531,850	518,125	13,725
	1,403,266	2,270,881	2,153,598	117,283
Total Expenditures	7,104,279	8,040,344	7,607,088	433,256
Excess (Deficiency) of Revenues over Expenditures	(35,969)	(972,034)	259,122	1,231,156
Other Financing Sources (Uses)				
Operating transfers in	2,746	2,746	2,773	27
Net Changes in Fund Balances	(35,969)	(969,288)	261,895	1,231,183
Fund Balances - Beginning of Year	1,423,000	1,423,000	1,827,048	404,048
Fund Balances - End of Year	<u>\$1,387,031</u>	<u>\$453,712</u>	<u>\$2,088,943</u>	<u>\$1,635,231</u>

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Reserved/Designated Fund
Required Supplementary Information
Budgetary Comparison Schedule
Year Ended December 31, 2006

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues				
Interest	\$47,039	\$47,039	\$76,584	\$29,545
Other Financing Sources (Uses)				
Operating transfers out	2,746	2,746	(2,773)	(5,519)
Net Changes in Fund Balances	49,785	49,785	73,811	24,026
Fund Balances - Beginning of Year	1,599,492	1,541,032	1,576,461	35,429
Fund Balances - End of Year	<u>\$1,649,277</u>	<u>\$1,590,817</u>	<u>\$1,650,272</u>	<u>\$59,455</u>

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

*Schedule of Funding Progress for the
Monroe County Library System Retiree Health Care Benefits Plan and Trust
December 31, 2006*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
12/31/2003	\$1,128,169	\$7,220,874	\$6,092,705	15.6%	\$1,973,464	308.73%
12/31/2004	1,127,115	6,991,115	5,864,000	16.1%	2,174,641	270.20%
12/31/2005	1,396,975	7,795,198	6,398,223	17.9%	2,217,575	285.60%

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

*Schedule of Employer Contributions for the
Monroe County Library System Retiree Health Care Benefits Plan and Trust
December 31, 2006*

Year Ended December 30	Annual Required Contribution	Percentage Contributed
2003	\$358,814	100.0%
2004	382,923	100.0%
2005	472,524	100.0%
2006	482,305	100.0%



**COOLEY HEHL
WOHLGAMUTH & CARLTON**
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA
David K. Hehl, CPA
Robert W. Wohlgamuth, CPA
Peter H. Carlton, CPA
Matthew D. Hehl, CPA
Deborah A. Sabo, CPA

One South Monroe Street • Monroe, Michigan 48161-2281
Telephone: (734) 241-7200 • Fax: (734) 241-2637
www.chwccpa.com

Members:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Division for CPA Firms American Institute of
Certified Public Accountants

Board of Directors
Monroe County Library System
Monroe County, Michigan 48161

Report of Comments and Recommendations

Our audit of the financial statements of the Monroe County Library System for the year ended December 31, 2006, was conducted in accordance with auditing standards generally accepted in the United States Of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry, and confirmation, that we determine that existing internal control, accounting procedures, and accounting records are adequate to allow us to express an opinion on the financial statements of the Monroe County Library System.

As a result of our audit, we do not have any comments or recommendations that should be brought to the attention of the Board.

We wish to express our appreciation for the continuing cooperation and courtesy extended to us by all employees of the Monroe County Library System.

Very truly yours,

A handwritten signature in cursive script that reads 'Cooley Hehl Wohlgamuth & Carlton'.

January 19, 2007